

Earned Income Tax Credit

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The earned income tax credit (EITC) supplements earnings for low-income working families. The credit equals a fixed percentage of earnings until the credit reaches a maximum; both the percentage and the maximum credit depend on the number of children in the family.

Maximum federal credits in 2009 are \$457 for workers with no children, \$3,043 for families with one child, and \$5,028 for those with two or more children. Larger families get no additional credit. The credit stays at that maximum as income rises up to the phase-out threshold, above which the credit falls with each additional dollar of income until it disappears entirely.

The phaseout begins at a higher income for married couples than for single parents. The credit is fully refundable: any excess beyond a family's income tax liability is paid as a tax refund.

The table below summarizes the EITC parameters in 2009.

Number of children	Credit rate (percent)	Income level for maximum credit	Maximum credit	Phase-out rate (percent)	Phase-out range*	
					Beginning income	Ending income
None	7.65	5,970	457	7.65	7,470	13,440
One	34	8,950	3,043	15.98	16,420	35,643
Two or more	40	12,570	5,028	21.06	16,420	40,295

*The phase-out range for married couples begins and ends \$3,120 higher than the values listed in this table. All dollar levels are adjusted annually for inflation.

Source: Urban Brookings Tax Policy Center



Value of Federal Earned Income Tax Credit, 2008

